

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

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|---------------------------------|---|--------------------------|
| In the Matter of the Protest of |) | |
| |) | DOCKET NO. 1-393-545-216 |
| [REDACTED], |) | |
| |) | |
| Petitioner. |) | DECISION |
| _____ |) | |

This case arises from a timely protest of a State Tax Commission (Commission) decision to deny a property tax reduction benefit for property tax year 2015. The Commission has reviewed the file and makes its decision based on the information in the file.

BACKGROUND

All property within the jurisdiction of this state is subject to property tax. A property tax reduction benefit is available to certain qualifying individuals. The benefit is in the form of a payment, funded by state sales tax, of all, or a portion, of the claimant's property tax on the dwelling he owns and occupies. The amount of property tax reduction depends on income—the greater the income, the smaller the benefit.

[Redacted] (claimant) filed an application for a property tax reduction benefit with [Redacted] Idaho Code §§ 63-707(5) and 63-707(6) allows the Commission to review claims and reduce the benefit claimed, as required. During the review of the claimant's application and records available to the Commission, the staff discovered income that was not included in the application. The omitted income was for debt cancellation reported on a 1099-C. An Intent to Deny Property Tax Reduction Benefit letter was sent May 27, 2015, advising the claimant that for the property tax reduction benefit his income was going to be increased to include the debt cancellation reported on the 1099-C.

The claimant protested the intended action that would result in the denial of the property tax reduction benefit. In the protest, he stated that his household income should not be increased as a result of the debt cancellation. He stated that the loan was for a car that was purchased July 21, 2008. The car was subsequently repossessed on November 26, 2008. The claimant was a co-signer of the car loan that was for \$13,245.88. When a debt is canceled, the lender will issue a 1099-C to the borrower. According to IRS rules, the debt cancellation is considered income.

The protest was transferred to the Legal/Tax Policy Division for administrative review. The claimant was sent a letter explaining the methods available for redetermining a protested Intent to Deny Property Tax Reduction Benefit letter. The claimant did not respond.

LAW AND ANALYSIS

Income for property tax reduction benefit purposes is defined in Idaho Code § 63-701(5):

(5) "Income" means the sum of federal adjusted gross income as defined in the Internal Revenue Code, as defined in section 63-3004, Idaho Code, and to the extent not already included in federal adjusted gross income:

- (a) Alimony;
- (b) Support money;
- (c) Nontaxable strike benefits;
- (d) The nontaxable amount of any individual retirement account, pension or annuity, (including railroad retirement benefits, all payments received under the federal social security act except the social security death benefit as specified in this subsection, state unemployment insurance laws, and veterans disability pensions and compensation, excluding any return of principal paid by the recipient of an annuity and excluding rollovers as provided in section 402 or 403 of the Internal Revenue Code);
- (e) Nontaxable interest received from the federal government or any of its instrumentalities or a state government or any of its instrumentalities;
- (f) Worker's compensation; and
- (g) The gross amount of loss of earnings insurance.

It does not include gifts from nongovernmental sources or inheritances. To the extent not reimbursed, the cost of medical care as defined in section 213(d) of the Internal Revenue Code, incurred or paid by the claimant and, if married, the claimant's spouse, may be deducted from income. To the extent not reimbursed, personal funeral expenses, including prepaid funeral expenses and premiums on

funeral insurance, of the claimant and claimant's spouse only, may be deducted from income up to an annual maximum of five thousand dollars (\$5,000) per claim. "Income" does not include veterans disability pensions received by a person described in subsection (1)(e) who is a claimant or a claimant's spouse if the disability pension is received pursuant to a service-connected disability of a degree of forty percent (40%) or more. "Income" does not include dependency and indemnity compensation or death benefits paid to a person described in subsection (1) of this section by the United States department of veterans affairs and arising from a service-connected death or disability. "Income" does not include lump sum death benefits made by the social security administration pursuant to 42 U.S.C. section 402(i). Documentation of medical expenses may be required by the county assessor, board of equalization and state tax commission in such form as the county assessor, board of equalization or state tax commission shall determine. "Income" shall be that received in the calendar year immediately preceding the year in which a claim is filed. **Where a claimant and/or the claimant's spouse does not file a federal tax return, the claimant's and/or the claimant's spouse's federal adjusted gross income, for purposes of this section, shall be an income equivalent to federal adjusted gross income had the claimant and/or the claimant's spouse filed a federal tax return,** as determined by the county assessor. The county assessor, board of equalization or state tax commission may require documentation of income in such form as each shall determine, including, but not limited to: copies of federal or state tax returns and any attachments thereto; and income reporting forms such as the W2 and 1099. (Emphasis added.)

Gross income is defined in Internal Revenue Code section 61:

General definition

Except as otherwise provided in this subtitle, gross income means all income from whatever source derived, including (but not limited to) the following items:

- (1) Compensation for services, including fees, commissions, fringe benefits, and similar items;
- (2) Gross income derived from business;
- (3) Gains derived from dealings in property;
- (4) Interest;
- (5) Rents;
- (6) Royalties;
- (7) Dividends;
- (8) Alimony and separate maintenance payments;
- (9) Annuities;
- (10) Income from life insurance and endowment contracts;
- (11) Pensions;
- (12) Income from discharge of indebtedness;**
- (13) Distributive share of partnership gross income;
- (14) Income in respect of a decedent; and

(15) Income from an interest in an estate or trust.
[Emphasis added.]

In the present case, the claimant did not file an income tax return for 2014. Therefore, the starting point for the calculation of income for purposes of the benefit would be the equivalent of the federal adjusted gross income.

The claimant reported social security income for himself and his wife in the amount of \$18,947, and \$13,703, respectively. Including his pension income of \$754, a total income of \$33,404, was reported. When the debt cancellation of \$13,245 is added, and medical expenses of \$6,212 are subtracted, the total income for property tax reduction benefit purposes is \$40,437.

CONCLUSION

The claimant's 2014 net household income for the purpose of the property reduction benefit exceeds the \$29,100 maximum allowed for a minimum 2015 property tax reduction benefit. The claimant must be denied the benefit.

THEREFORE, the decision of the Commission to deny the property tax reduction benefit for property tax year 2015 is hereby **AFFIRMED** and **MADE FINAL**.

An explanation of the claimant's right to appeal this decision is enclosed.

DATED this _____ day of _____ 2015.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2015, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[REDACTED]

Receipt No.
